

Township Board
Hagar Township
Riverside, Michigan 49038

In planning and performing our audit of the financial statements of the Township for the year ended March 31, 2004, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

One individual is directly involved in handling cash receipts, preparing bank deposits, preparing bank reconciliations, and recording cash receipt transactions in the Township's general ledger. Because the Township has adequate staff to segregate these duties, greater control over cash transactions could be provided at no additional cost. One suggestion to add a control would be to have a different staff member spot check, on a random basis, by preparing a tape of cash receipts from the daily mail. This could be done once a week or several times a week. On the cash disbursements side, we recommend that the Deputy Clerk & Deputy Treasurer be added as authorized check signers. The Deputy Clerk could then sign in the absence of the Clerk and the Deputy Treasurer in the absence of the Treasurer.

We have discussed these and other options with the Treasurer and she is working with the Township staff to implement some additional controls.

The following issues are not considered to be reportable conditions, however, we feel they warrant your attention:

ANNUAL INVESTMENT REPORT

Public Act 196 of 1997 requires that each government body be provided with an annual investment report. It is our understanding that no such report has been prepared for either the current or prior fiscal years. It is our recommendation that township track investment performance monthly with the year end results provided to the board for review.

PROPERTY TAXES

While testing property tax revenue, we noted a difference between the tax revenue recorded in the general ledger and the amount that was rolled by the Township per the assessor's warrant. After further analysis, it appears that excess disbursements were made to Berrien County while the amounts distributed to the Berrien County Intermediate School District, Lake Michigan College, and the Township were deficient. We recommend that the Township Treasurer follow up on these discrepancies and we have provided her with a copy of our analysis.

CREDIT CARDS

The Township has a "Staples" credit card, however, there is no Board approved credit card policy in place, which is required by the State of Michigan. We recommend the Township approve a policy, which specifically includes the following:

- A. A named officer or employee is responsible for the issuance, accounting, monitoring and retrieval and generally for overseeing compliance with the credit card policy.
- B. That the credit card may be used only by an officer or employee for the purchase of goods or services for the official business of the local unit.
- C. The officer or employee using the credit card must submit documentation detailing the goods or services purchased, cost, date of the purchase and the official business.
- D. The officer or employee issued the card is responsible for its protection and custody and shall immediately notify the local unit if the card is lost or stolen.
- E. The officer or employee must immediately surrender the card upon termination.
- F. A system of internal controls to monitor the use of the credit card.
- G. Approval of credit card invoices before payment.
- H. That the balance including interest due on an extension of credit under the credit card arrangement shall be paid for not more than 60 days of the initial statement date. The local unit shall comply with this provision of the credit card policy.
- I. The policy must provide for disciplinary measures consistent with law for unauthorized use.

NEW REPORTING MODEL - GASB 34

Implementation of this new reporting model will begin shortly after completion of the March 31, 2004 audit. The Township's 2005 financial statements will be issued in compliance with GASB 34.

We appreciate the cooperation and assistance given to us by the staff of the Township and will be happy to discuss further any comments or questions you might have. We will also keep you updated on new developments that we feel will benefit the Township in the coming year.

This report is intended solely for the information and use of the board of directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

May 14, 2004